

Vantage Point: Reducing Customer Churn

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CUSTOMER RETENTION

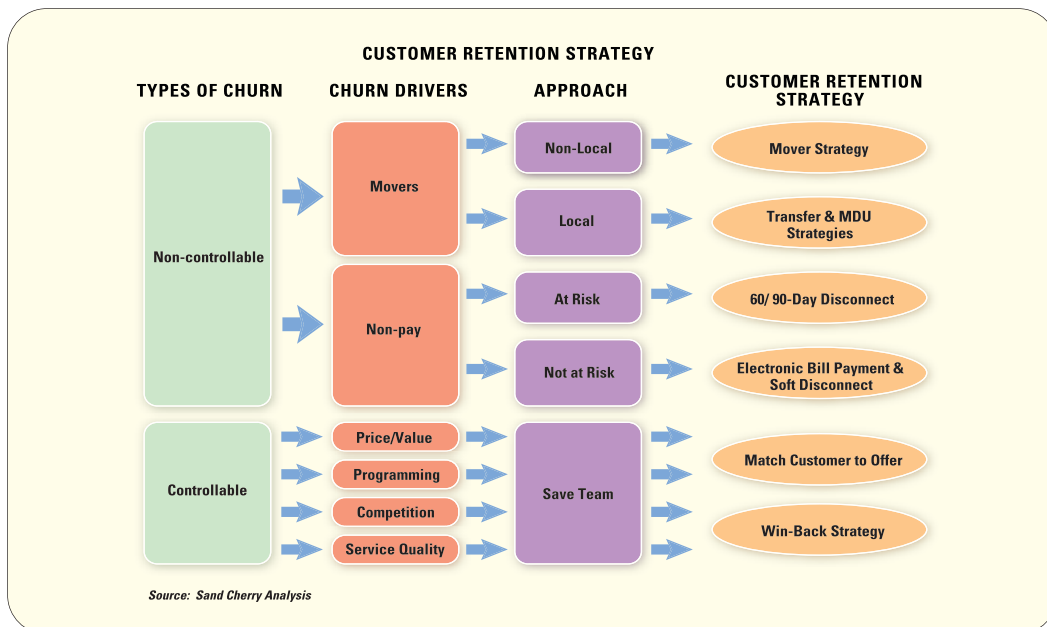
In 2002, the cable industry lost approximately 700,000 customers—the first year the industry lost total subscribers on an aggregate basis. The same year, satellite competitors grew their customer base by two million subscribers and are projected to grow by another two million in 2003 (*Kagan/MediaWeek, Jan 2003*). Additionally, nearly one quarter of basic cable customers and over half of all digital cable customers churn annually. High churn coupled with intense competition has led the broadband industry to increase its focus on customer retention.

Retention programs are important not only to protect basic subscriber growth, but also to reduce re-acquisition costs and to increase overall customer loyalty. Operators understand it is more expensive to acquire a new customer than it is to maintain a relationship with an existing one. Customer retention programs can payback quickly with even modest reductions in churn and associated increases in subscriber lifetime value.

Churn is generally categorized into two areas: non-controllable and controllable. Non-controllable churn includes churn due to moves and non-pays. Controllable churn may be due to customer defections to competition or dissatisfaction with service, price or programming. To improve customer retention, proactive marketing and Customer Service Representative (CSR) strategies should be devised to address all types of churn (see graphic below).

Cross-industry initiatives have been developed and are being implemented to facilitate inter-MSO "transfers" and the same tools can be used for local moves. Operators are working closely with finance to determine the optimal non-pay disconnect policies for their respective markets.

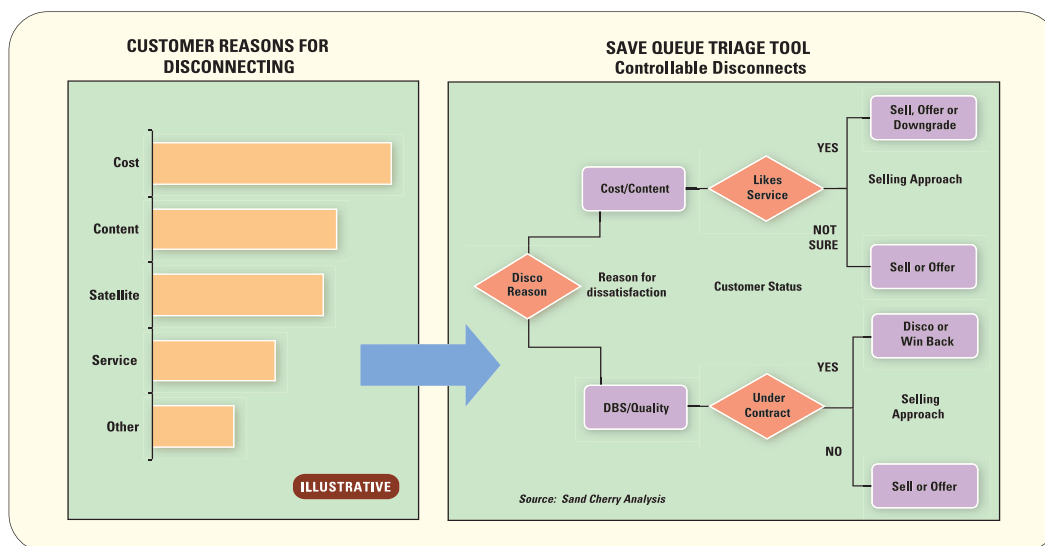
More immediately, broadband operators can have the most direct impact on controllable churn through a combination of marketing retention offers and establishing effective "Save" teams in the customer call center. According to Warren Jones, Cox director of competitive intelligence and customer retention, "...if properly trained and functioning, a save team should be able to save 30 to 35 percent." (*Cable World, Jul 2002*)





Vantage Point: Increasing Customer Retention

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THE SAVE TEAM

An effective "Save" program is driven primarily by a team of dedicated specialists who are measured and incented to retain customers through experienced selling. Save Team CSRs are trained to discover why the customer is disconnecting then employ the appropriate selling approach to retain them. Understanding where the customer is in the decision process is also important. Is the customer considering satellite or has a dish already been installed? Each of these situations would require a different tactic. Save Team CSRs should have a range of save options to utilize. A simple "triage tool" and other customer support system aids can be used to identify the appropriate selling approach for a particular customer (see graphic above).

Developing sales tactics and marketing offers for a Save Team requires a deep understanding of why customers are disconnecting. This can be discovered by conducting market research. Some key questions to address include:

What are the primary reasons for customer disconnects?

What types of retention offers appear to be more attractive to each segment of disconnecting customer?

What is the profile of customers who are disconnecting?

Which customers are more likely to subscribe to cable service again? How can we identify these customers?

Once a Save Team has been established, all disconnect calls should be routed to the Save Team via "smart" IVR to maximize save opportunities. Save Team performance should be measured and used to continually improve team effectiveness.

NEXT STEPS

Broadband operators should evaluate and develop proactive retention strategies for all lines of business. A key element of the strategy should be the Save Team. A well trained and effectively managed Save Team supplied with the right marketing tools and offers will have an immediate impact on customer retention and ultimately customer lifetime value. "Assuming price and service quality are within acceptable ranges, customer retention mechanisms offer cable marketers the next most effective means for influencing and improving subscriber lifetime value and, therefore, shareholder value." (Paul Smuri, *Multichannel News*, Nov 2002)

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